

CPUC TELEPHONE SURCHARGE REPORTING AND PAYMENT FILING

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Overview

All telecommunications carriers (carriers) or VOIP providers offering telephone service to the public in California, authorized by the California Public Utilities Commission (CPUC or Commission) to operate in California, are required to assess surcharges on their end-user Intrastate service revenues and to remit the monies collected in accordance with these directions.

What is meant by Intrastate Service Revenues?

“Intrastate” means a telecommunications service that originates and terminates within California. Generally, services subject to tariff (or formerly tariffed) with the CPUC are subject to California surcharges, whereas Interstate services, taxes and surcharges, and financial charges and fees, are not. Intrastate services that are subject to surcharges include, but are not limited to, residential or business line and any associated services, including:

- Custom calling features (such as Caller ID, Voice Store and Forward, Call waiting)
- Voicemail,
- 2-way messaging,
- Private line service,
- 800/900 service, and
- Non-recurring charges (such as installation and connection charges)

What Surcharges Need To Be Assessed? (Collectively “Universal Service Surcharges”)

1. California High Cost Fund A (CHCF-A)
2. California High Cost Fund B (CHCF-B)
3. California Lifeline (LifeLine)- (Formerly known as Universal Lifeline Telephone Service or ULTS)
4. California Teleconnect Fund (CTF)
5. Deaf & Disabled Telecommunication Program (DDTP)
6. California Advance Service Funds (CASF)

Are there surcharge reporting exceptions for certificated carriers?

Carriers must assess the surcharges on all of their revenues for intrastate telecommunications services except for the following:

1. California LifeLine service revenue;
2. Charges to other certificated carriers for services that are to be resold;
3. Coin sent paid telephone calls (coin in box) and debit card calls;
4. Customer-specific contracts effective before 9/15/94;
5. Usage charges for coin-operated pay telephones;
6. Directory advertising; and
7. One-way radio paging.

What Are The Surcharge Rates?

Current and historical surcharge rates can be found at:

<http://www.cpuc.ca.gov/PUC/Telco/Consumer+Information/surcharges.htm>

What is the Process for Reporting and Remitting Surcharges?

All telecommunications carriers that provide basic telephone service to the public are required to assess and collect from end-users surcharges that fund the Commission's Universal Service programs, and remit these surcharges to the Commission.

Interconnected VoIP service providers must also collect and remit Universal Service Fees to California. An interconnected Voice over Internet protocol (VoIP) service is a service that:

- (1) Enables real-time, two-way voice communications;
 - (2) Requires a broadband connection from the user's location;
 - (3) Requires Internet protocol-compatible customer premises equipment (CPE); and
 - (4) Permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.
- (47 CFR § 9.3)

Interconnected -VoIP service providers that do not have a registration number must obtain a registration number via the VoIP Provider Self Registration form.

I. How are Universal Service Surcharges collected from End-User Customers?

The Commission does not have a prescribed method for how a carrier collects universal service surcharges from end-user customers. Carriers have the discretion to use any reasonable collection method that meets the carrier's business model as long as the carrier can collect all surcharges due from the customer. The following are some examples of collection methods, including options for where there is a 3rd party retailer selling the carrier's service:

- i. Include surcharges on customer's bill, invoice, or statement of charges.
- ii. Collect at point of sale as an addition to the cost of service purchased
- iii. Build surcharges into the cost per minute of service that the 3rd party retailer pays the carrier and include the surcharge amounts into the price the end-user customer pays at the point of sale.

Carriers can also contact other carriers in order to gain insight as to how to collect surcharges. If the above suggestions do not provide the necessary guidance for the collection of surcharges, the CPUC staff can be contacted .

II. What is the process for Surcharge Assessment?

The Commission does not have a prescribed methodology on how to determine intrastate revenues subject to Universal Service program surcharges. Telephone Corporations and VOIP providers that are required to assess universal service surcharges on intrastate telephone service revenues from end-user customers may use any reasonable method to

determine the intrastate revenues. Examples of reasonable methods to determine intrastate revenues include, but are not limited to:

- i. FCC Safe Harbor Percentage – Carriers can apply to their California revenues the inverse of the Federal Interstate Safe harbor percentage adopted by the FCC to fund federal universal service programs for the respective type of carrier.
- ii. Traffic Study- Through traffic studies the carrier can develop a jurisdictional allocation factor representing the average usage patterns of the carrier's own customs, and then apply this to their California revenues..

For VoIP providers, the California legislature endorsed three methods of determining which revenues are subject to intrastate surcharges (*see* recently enacted AB 841, now codified at PU Code Sec. 285(e)). In addition to the above two methods, AB 841 provided the additional option of any other “means of accurately apportioning interconnected VoIP services between federal and state jurisdictions.”

- a. Surcharges are applied to the price that the end-user customer pays for service and not the wholesale price that a carrier may get from 3rd party retailers that sell the carrier's service (e.g. prepaid phone service).
- b. Surcharges are not assessed on equipment cost. It is the carrier's responsibility to make a reasonable determination of what portion of a charge is for services subject to surcharges when service is bundled with equipment or other services that are not subject to universal service surcharges.

WHAT ARE THE INSTRUCTIONS FOR REPORTING AND REMITTING CALIFORNIA PUC TELEPHONE SURCHARGES?

The Commission requires all telecommunications carriers and VOIP providers offering telephone service to the public to calculate and report surcharges online using the Telecommunications & User Fees Filing System (TUFFS) and remit the owed monies through a link to the California State Agency Electronic Funds Transfer (EFT) System. The TUFFS website allows any carrier, whether postpaid or pre-paid, to calculate, report, and remit surcharges in a simple and easily manageable way. Once a carrier has determined the intrastate revenues subject to surcharge, the carrier enters that amount for a given month on an online surcharge transmittal form in the TUFFS system. The system then calculates the surcharge amount due for each surcharge fund. Payment is then made by Automated Clearing House (ACH) debit through the EFT system for each surcharge fund.

All certificated carriers and VOIP providers offering telephone service to the public must report and remit surcharges on a monthly basis, except for those that bill a *de minimis* amount of surcharges (the *de minimis* rule). The *de minimis* rule permits a carrier to report and remit all

surcharges semi-annually on a cumulative basis covering a six-month period from January through June and from July through December.

The *de minimis* rule applies to carriers whose average intrastate service revenues subject to surcharge are equal to or less than \$10,000 a month. Carriers that meet this criteria and wish to report and remit surcharges semi-annually may send an e-mail to telco_surcharge@cpuc.ca.gov including: the carrier's legal name, the 4-digit utility identification number assigned by the Commission, and a statement to the fact that the average intrastate service revenues subject to surcharge are equal to or less than \$10,000 per month. Although *de minimis* carriers are only required to report and remit payments twice a year, carriers must report individually for each month in the six-month period. Qualified carriers can change to *de minimis* after reporting for the month of June or December. The *de minimis* period would start with January-June or July-December.

Carriers are required to report even if total intrastate billings subject to surcharge are zero.

In the event that the total intrastate service revenues subject to surcharge exceed \$60,000 for carriers reporting under the *de minimis* rule, carriers must advise the CPUC and file monthly. It is up to the carrier to be aware that their reporting has changed and to notify the Commission of this change from semi-annually to monthly.

Surcharge monies must be reported and remitted, no later than 40 days, following the close of the reporting period. Carriers that report and/or remit the surcharge monies after the due date must include a penalty equal to an annual rate of 10%. The penalty is to be assessed on the surcharge amount due, including any adjustments, starting from the 41st day after the close of the reporting period to the date that the carrier reports or surcharge monies are remitted, whichever is later.

Additional instructions regarding how to use the online system to report and remit payments can be found in the TUFFS and EFT payment system user guides.

ARE THERE FURTHER COMPLIANCE REQUIREMENTS, AND WHAT ENFORCEMENT MECHANISMS ARE AVAILABLE TO THE COMMISSION?

All reporting and payments are subject to audit verification by the Commission or Commission designee(s). As such, carriers are expected to maintain data for at least five (5) calendar years, unless specifically authorized otherwise by a CPUC order or a director's letter. Carriers that are 90 days or more in arrears in reporting and remitting surcharges may be subject to administrative or judicial collection actions and/or revocation of their authority to operate in California.